THE BOOTS COMPANY PLC
Report and Accounts 1984

For the year ended 31st March 1984

Group highlights

for the year ended 31st March 1984

	1984 £m	1983 £m	% change on 1983
Turnover	**1832·8**	1670·0	+ **9·7**
*Industrial Division	**336·9**	292·7	+ 15·1
Retail Division	**1603·1**	1478·9	+ 8·4
Trading profit	**157·4**	141·3	+ **11·4**
Industrial Division	**62·3**	57·9	+ 7·6
Retail Division	**99·2**	84·6	+ 17·3
Profit on ordinary activities before taxation	**165·1**	140·1	+ **17·8**
Profit for the financial year attributable to shareholders	**128·3**	89·3	
Earnings per share before taxation	**22·4p**	19·1p	
Earnings per share after taxation	**14·4p**	12·7p	
Dividends	**40·0**	34·5	
Retained in the business	**88·3**	54·8	
Capital expenditure	**59·9**	58·0	

*Including sales to Retail Division.

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The Boots Company PLC

Report and accounts

for the year ended 31st March 1984

Financial calendar

Dividend and interest payments

Ordinary dividends
Final 1983/84:
Announced 23rd May 1984.
Payable 19th July 1984.

Interim 1984/85:
Announced 22nd November 1984.
Payable 11th January 1985.

Final 1984/85:
Proposed May 1985.
Payable July 1985.

7¾% loan stock interest:
Paid 30th September and 31st March.

6¾% bond interest:
Paid 1st August.

Results

For half-year:
Announced 22nd November 1984.

For the year:
Announced May 1985.

Report and accounts:
Circulated June 1985.

For capital gains tax purposes the market value of a Boots share on 6th April 1965 was 20p.

Board of directors

The Boots Company PLC

Report and accounts
for the year ended 31st March 1984

Chairman	P T Main, ERD, MD, FRCPEd
Vice chairman and chief executive	R N Gunn
Vice chairman	*Sir Bernard Scott, CBE, TD, FEng
Managing director *(Industrial Division)*	E E Cliffe, DPhil, FIBiol, FRSC
Managing director *(Retail Division)*	K Ackroyd, FPS
	P H Courtney, FCA
	G M Hourston, FPS
	*A B Marshall
	*The Rt Hon Sally Oppenheim, PC, MP
	T G Richardson
	*D A G Sarre
	G R Solway
	B H C Theobald

*Non-executive directors and members of audit committee

Secretary	D N Edmundson
Registrar	F Collins
Registered office	Nottingham, NG2 3AA
Auditors	Peat, Marwick, Mitchell & Co.
Bankers	National Westminster Bank PLC

Statement by the Chairman

Dr Peter Main—Chairman

The group had a sales increase of 9·7% to £1832.8m, and group profits before tax increased by 17·8% to £165·1m. Excluding profits from the sale of properties (£16·5m), profits were up by 18·3%.

As forecast at the half-year, we have maintained growth against a more buoyant out-turn in the corresponding period last year. Nevertheless, in assessing these results shareholders will bear in mind that Boots The Chemists is still awaiting the precise method by which the Department of Health will reclaim chemists' remuneration following the review of discounts allowed by wholesalers in England and Wales. The maximum total amount has been provided by means of a charge of over £6m against divisional results.

The Retail Division had an increase in sales of 8·4% and an increase in profits of 17·3%.

Boots The Chemists had another successful year. Sales grew by 7·8%, of which over 4·5% was real growth, and trading profits increased by 13·3%. These figures amalgamate Timothy Whites results with those of Boots The Chemists and are after charging the £6m mentioned above. The results were helped by favourable weather and a more settled economic situation affecting the high street during the important Christmas period, when the comparative branches of Boots The Chemists achieved real growth in non-prescription sales of nearly 10%, the best for many years.

We are now deeply involved in redesigning many of our larger branches as part of the new marketing strategy which we conceived 18 months ago when we carried out our detailed examination of the company. We are planning not only to obtain a much better return from our existing sales areas, but also by means of a new supervisory structure and an extensive training programme to enhance the standard of service which our customers are entitled to expect from Boots.

After a number of years of losses, in 1983 we have made a small profit in Canada, reflecting the sustained effort and the considerable changes which we have made during our years of trading.

The Industrial Division had a sales increase of 15·1% and a profit increase of 7·6%, including our share of our related agrochemical company, FBC, for the first six months of the financial year.

The UK government has imposed some damaging measures on all pharmaceutical companies. These include price reductions on products, a reduction in the allowable return on capital employed, and a penalty on promotional expenditure above a predetermined limit. These measures will be detrimental to the highly successful UK-based pharmaceutical industry.

In September 1983 our new chemical production factory at Cramlington was opened by His Grace The Duke of Northumberland. This facility, which produces flurbiprofen, the raw material used in our antirheumatic product Froben, is now fully operational.

In August 1983, together with Celltech Limited, we formed a new company known as Boots-Celltech Diagnostics, with each parent owning 50% of the equity. This company will develop, manufacture and market clinical diagnostic products for the world market, giving us an opportunity to participate in an important area of biotechnology.

The review of our strategy persuaded us that agrochemicals could not be regarded as part of our mainstream activities. Consequently we sold on favourable terms to Schering AG of Berlin our investment in FBC Holdings Limited, a company which we owned jointly with Fisons.

During the year we have accommodated a total of 890 young people under the Youth Training Scheme. This is rather less than the number which could have been accepted, but we are determined to employ only those applicants who are suitable for training. Although training under the scheme only commenced in September 1983, 73 have already become permanent employees of the company.

We have recently given greater publicity to our two staff share participation schemes, and I welcome the wider interest which is being shown by members of staff in having a financial stake in the company's progress and future.

We support the general thrust of the Chancellor's March Budget, although lower Corporation Tax rates will to some extent be offset by the loss of stock relief and lower capital allowances. We have provided £35m out of reserves for deferred taxation as a consequence of the proposed changes in these capital allowances. Most important of all, we welcome the climate of consumer confidence created by the Budget which should benefit retailing during the year in which we are now trading. We also welcome the proposed changes in taxation relating to executive share option schemes, and we shall be studying the legislation carefully with a view to proposing to shareholders the introduction of such a scheme at the appropriate time.

Since the last Annual Report several important changes have occurred in the structure of your board, and these are referred to in the Directors' Report. I should like to draw shareholders' attention to the appointment of Sir Bernard Scott CBE as Vice-Chairman of the board, and the appointment of Mr Robert Gunn as Vice-Chairman and Chief Executive. Mr Gunn has been succeeded by Dr Eric Cliffe as Managing Director of the Industrial Division. Mr John Hann retired at the end of the financial year, and I should like to pay tribute to his outstanding services, particularly on the retail side of the company. He has been succeeded as Managing Director of the Retail Division by Mr Keith Ackroyd. Mr Terry Richardson, who has been Director of Pharmaceutical Marketing since 1980, was appointed to the board in October 1983. These directors are occupying key positions in the company, and I have every confidence that they will do so with distinction.

It has been a year of great endeavour by the company in carrying out our strategic plans. The incorporation of the Timothy Whites business into Boots The Chemists as cookshops, and the sale of FBC to which I have referred, allow us to concentrate on our retailing, pharmaceutical, and consumer products enterprises. We still have a great deal to achieve and from our increasingly strong financial base we are actively engaged in looking at acquisitions where these answer our needs in terms of profit growth, new products, or geographical representation. Both Divisions, under their new Managing Directors, face a year of challenge and opportunity.

Boots staff throughout the world have made an important contribution to these results and I should like to thank them for their efforts.

My colleagues and I remain committed to maintaining profitable growth and we look forward to the future with confidence.

Boots 300 acre site at Beeston—Nottingham

LEFT: Robert Gunn—Vice Chairman and Chief Executive

RIGHT: Sir Bernard Scott—Vice Chairman of the Board

Review of the year Retail Division

Divisional Board

K Ackroyd, FPS
Managing Director (Chairman)
J W Berry
D Cargill
P L M Davies, MPS
A B McInnes, MPS
A R Ripley
M F Ruddell
B H C Theobald
D A R Thompson, FCA
J D Wykes, MPS
I A Hawtin, *Secretary*

Divisional Results

	1984		1983	
	Turnover £m	**Profits £m**	Turnover £m	Profits £m
UK	**1456·9**	**82·8**	1351·1	73·1
Surplus on disposal of properties	**—**	**16·5**	—	14·5
	1456·9	**99·3**	1351·1	87·6
Overseas	**146·2**	**(·1)**	127·8	(3·0)
	1603·1	**99·2**	1478·9	84·6

United Kingdom

Boots The Chemists has had a successful year. Sales have increased by 7·8%, of which over 4·5% was real growth, and profits by 13·3%. Trading conditions in the high street have been better than for many years.

During the year we have devoted a great deal of effort to redesigning the larger stores to create a more attractive and helpful shopping environment; our branches in Chatham, Bury St Edmunds, Northampton, Edinburgh, Birmingham and Scarborough have been refitted embodying this new format. These six prototype stores will be used to guide us in the development of other branches during the coming year.

Following encouraging sales in 1982 we moved quickly to establish our position in the dynamic new market for home computers. We introduced a range into over 200 branches. Results have justified this commitment with sales during the year exceeding £40m. We believe that this achievement made us the leading UK retailer of home computers and intend to retain our position in this market by increasing both the number of home computer outlets and the space devoted to them in good time for the peak Christmas business this year.

In the six redesigned stores we have introduced a new concept which we have called 'Sound/Vision'. This combines our existing photographic, audio, recorded music and home computer business within a highly distinctive in-store environment which is both authoritative and attractive. Early results justify extension to other stores during the year ahead.

In February 1983 we announced a programme for the integration of our Houseware businesses with the closure of Timothy Whites and the creation of a chain of cookshops within larger Boots branches. Considerable progress has been made, with 60 cookshops installed in Boots branches by the end of the financial year. Their striking appearance and modern inventory have proved extremely popular with customers. As a result, despite a reduced number of Houseware outlets, our market share has been maintained during this transition stage and we are confident of future growth.

Our first in-store optical practice opened in Nottingham, followed by six further practices in Peterborough, Leeds, Mansfield, Northampton, Luton and Birmingham. The new venture has met with outstanding success and we are planning to open a nationwide network providing ophthalmic and dispensing services. Our competitive pricing is in accordance with the traditional Boots for Value policy and is designed to accommodate the impending change in legislation which will affect the market for both NHS and private spectacles.

Boots Brands have long been a source of corporate pride; with their combination of quality, price and product features they present to our customers an image of the company which embodies the highest standards. For the future, the role of Boots Brands will be of increasing significance. They provide uniqueness within the product range, and extend the real choice offered to customers.

Despite the pressure placed upon doctors to reduce prescribing, we continue to dispense one million National Health Service prescriptions per week. We welcome measures being taken by the profession's negotiators and by the Minister of

Health to review an out-moded Pharmacist Remuneration Contract. Hopefully this will result in a more accurate reimbursement of costs, a realistic profit margin and an annual review system which would remove the necessity for large scale retrospective adjustments.

Profit from property sales has been at a high level during the last year and this is likely to continue through 1984/85. Much of this relates to the disposal of properties previously occupied by Timothy Whites, and is treated as an extraordinary item in the accounts. However, the sale of properties no longer needed by Boots The Chemists also reached a peak in 1983/84 and it is to be expected that this will diminish in the current year and fall away quite sharply thereafter.

Overseas

After the severe recession of 1982 the Canadian economy did not begin to recover until the spring of 1983. Our sales performance in Canada accelerated as the year went on and Christmas business was excellent. A 15% increase combined with vigorous control of store and central administrative expenses produced a modest profit for the chain as a whole. After a number of years of heavy losses, this bodes well for the future and we look forward to further improvements in the current year.

In France, sales increased by nearly 30% and we achieved 15% real growth in comparative shops. For the first time these shops made a small profit before charging pre-opening expenses in connection with new shops. In view of the obvious success of our concept we now propose to press on with a rather faster expansion programme. Three new shops have been opened in Marseilles, Bordeaux and Nancy. Further shops are planned to open this summer in Aix-en-Provence and Rosny II shopping centre, north east of Paris.

Our New Zealand company improved profits by over 30% on sales up 12%.

Boots The Chemists—Halifax

Boots Optical Service—Nottingham

Keith Ackroyd—Managing Director Retail Division at the Boots Cookshop within a Nottingham store

Review of the year Industrial Division

Divisional Board

E E Cliffe, DPhil, FIBiol, FRSC
Managing Director (Chairman)
A H Hawksworth
S A B Kipping
B Lessel, PhD, FIBiol
J W Lewin
T G Richardson
K T Robinson
G R Solway
J H Wilson
D J Winter, *Secretary*

Divisional Results

	1984		1983	
	Turnover	**Profits**	Turnover	Profits
	£m	**£m**	£m	£m
UK and export	**205·4**	**36·7**	188·3	39·5
Overseas	**153·5**	**23·8**	126·4	14·9
Less: Sales within the division	**(22·0)**	**—**	(22·0)	—
	336·9	**60·5**	292·7	54·4
Share of profit of related companies	**—**	**1·8**	—	3·5
	336·9	**62·3**	292·7	57·9

In the UK and some overseas countries pharmaceuticals had a difficult year but in others, notably the USA, we were able to make excellent progress. Our consumer products business increased sales but had to bear the expense of new product launches.

Sales increased by 15·1%. Divisional profit, including our share of the related agrochemical company FBC for the first six months only, increased by 7·6%.

Manufacturing

The Statement by the Chairman refers to the official opening of the flurbiprofen plant at Cramlington. Overseas, our Yugoslavian related company Boots-Galenika has now commissioned its ibuprofen production unit in Belgrade and we are currently building an extension to our Indian chemical production plant at Ahmednagar and a new factory for our Pakistan company on the existing site at Karachi. Recognising the importance of the USA market, we have bought a new site at Shreveport, Louisiana, for a larger production unit which is at the design stage.

New laboratories dedicated to maintaining the high standards of microbiological control of Boots products were opened in Nottingham in July 1983.

Research and Development

Ibuprofen was approved for sale over-the-counter by the Department of Health in the UK in 1983. In May 1984 a similar approval was granted in the USA and the product is being marketed by a licensee. There is an extensive programme to obtain registration for sale in overseas countries including, where necessary, collaboration with other companies.

A new product for the treatment of hypertension is undergoing clinical studies in patients and at this early stage the results are encouraging. A number of promising potential products are under study in our laboratories including an antidepressant with a novel pharmacological profile.

Pharmaceuticals

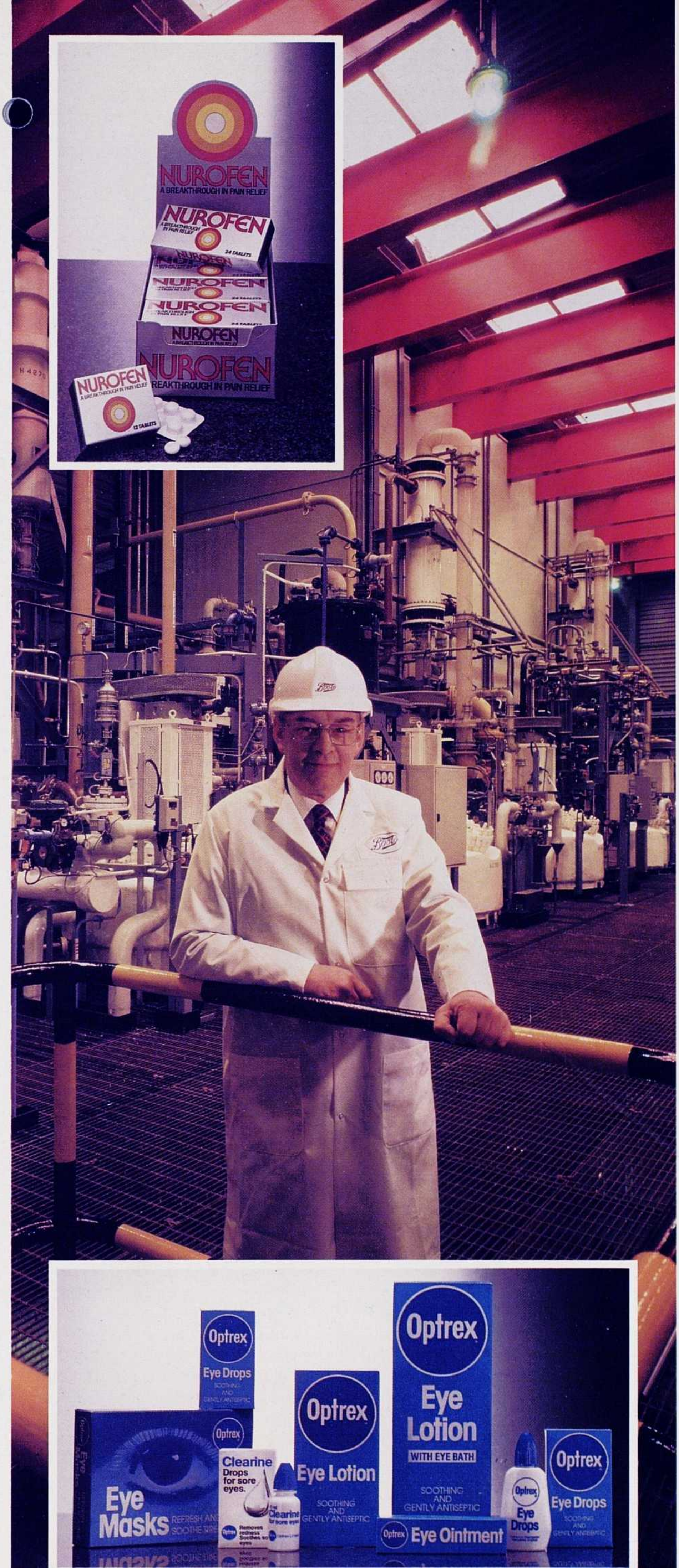
Sales in the year increased by 18·1% with most of the growth coming from overseas markets particularly the USA.

Sales in the UK increased by only 2·0% and were affected by the government measures to reduce the cost of medicines supplied to the National Health Service and by the parallel importation of some of our brands of prescription medicines. However, we have been encouraged by the favourable reception of the 600 mg tablet of Brufen, our leading antirheumatic product, and by the continued success of Prothiaden, our antidepressant product.

The planned and progressive increase in research and development expenditure was a significant factor in the reduction in UK profits.

Boots Pharmaceuticals Inc, in the USA, produced another excellent result with a dollar sales increase of over 50%. Sales of Rufen, our brand of ibuprofen, increased by over 90%. In March we received approval from the Food and Drug Administration to market the higher strength 600 mg tablet for which a considerable sales potential exists.

Our companies in India, Italy, South Africa and Spain all showed significant growth. Export sales to agents, licensees, distributors and related companies grew by 12·7%. There were increased sales to our licensee in the USA; to Europe, particularly Switzerland and Norway; to the Middle East; and to the People's Republic of China. On the other hand sales to Japan showed a



reduction as our licensee operated in an increasingly competitive market for antirheumatic products.

The Chairman's Statement mentions the formation of Boots-Celltech Diagnostics. Although it will be some time before the company shows profit after investment in research and development, three new clinical diagnostic products have already been introduced in the UK.

Consumer Products

The year's sales growth of 11·7% included excellent performances by Crookes and Optrex products in the UK and in overseas markets.

In the UK, Crookes and Optrex produced a sales increase of 48·0%. In August 1983 we introduced Nurofen, the first over-the-counter analgesic product based on ibuprofen as the active ingredient. Nurofen has been supported by a significant promotional campaign including the provision of technical information to pharmacists and has already captured a significant market share. The Optrex range of eye care products acquired in February 1983 made an important contribution to growth, above our initial expectations. Apart from these additions, the existing range of products performed well and this result for Crookes Products encourages us in our determination to give greater priority to our consumer products business both at home and overseas.

Sales overseas by our companies and to our agents, distributors and licensees increased by 20·0%. There were good results from our companies in Australia, Belgium, India and the Far East. Our related company in Nigeria has encountered problems both in obtaining clearances to import from the UK and to pay in Sterling for goods received and continues to operate under difficult conditions.

There was some rationalisation during the year of the in-house manufacture of Boots Own Brands for sale to the Retail Division. As a result the sales growth was small at 3·5% but the profit margin was improved.

Agrochemicals

Following the sale of FBC, our figures include the results for the first six months' trading only. We have negotiated a contract to manufacture certain chemicals for sale to FBC.

Dr Eric Cliffe—Managing Director Industrial Division at the flurbiprofen chemical plant—Cramlington

Directors' report

The directors of The Boots Company PLC present their ninety-sixth annual report to shareholders, together with the audited accounts for the year ended 31st March 1984.

Principal activities

The group's worldwide trading is conducted through two divisions, Industrial and Retail. The principal activities of the former are the research, manufacturing and marketing of pharmaceuticals and consumer products. The Retail Division's principal activities are the retailing of chemist and other merchandise. A review of these activities is shown on pages 4 to 7.

Group results

The group profit and loss account for the year ended 31st March 1984 (with 1983 comparisons) shown on page 10 includes the following details:

	1984 £m	1983 £m
Trading profit	**157·4**	141·3
Profit on ordinary activities before taxation	**165·1**	140·1
Profit for the financial year attributable to shareholders	**128·3**	89·3

Appropriations

The directors recommend the payment of a final dividend of 3·5p per share which, when added to the interim dividend of 2·0p already paid, makes a total dividend for the year of 5·5p per share (1983 4·75p per share). The payment of these dividends requires £40·0m (1983 £34·5m), leaving £88·3m (1983 £54·8m) retained in the business.

Group structure

In 1983 the group sold its investment in FBC Holdings Ltd. During the year the group entered into a joint venture agreement with the state-backed firm of Celltech Ltd. and formed Boots-Celltech Diagnostics Ltd. which is equally owned.

Share capital

On 21st July 1983 the authorised share capital of the company was increased from £100m to £225m by the creation of 500m additional ordinary shares of 25p each. A one for one capitalisation issue was made of 363,576,995 ordinary shares with a nominal value of £90,894,249 by transferring £11,294,000 from share premium account, and the balance from revenue reserves.

Details of all shares issued during the year are shown in note 18 on page 19.

Fixed assets

The UK retail trading properties were valued by the directors at 1st January 1981, based on detailed assessments prepared by the company's qualified valuers. These properties, representing approximately 70% of the net book value of the group's total property portfolio, were valued at open market value at more than £300m over historical net book value.

This valuation has not been incorporated in the accounts. Details of fixed assets are shown in note 10 on page 16.

Current cost accounts

A statement of group profit prepared under the current cost accounting convention, based on SSAP 16, for the year ended 31st March 1984 (with 1983 comparisons) is shown on page 26 and includes the following details:

	1984 £m	1983 £m
Trading profit	**122·6**	98·1
Profit on ordinary activities before taxation	**130·9**	98·1
Profit for the financial year attributable to shareholders	**80·5**	45·2

Employment policies

The company involves staff in the decision-making process—through management, through a comprehensive structure of staff councils and with trade unions where they represent staff. During 1983 the council structure was reorganised to permit greater participation in business matters. Regular communications meetings are held with representatives of staff at all levels to explain the financial and economic factors affecting the company and these and other business matters are reported in *Boots News*, a company newspaper with ten editions each year, sent to employees throughout the world. In the UK the company encourages staff to be involved in the company's performance through a bonus scheme and a linked employee share scheme relating to UK profits and also through an employees' share option scheme linked to save-as-you-earn savings contracts.

Sandy Marshall

Terry Richardson

The company recognises its social and statutory duty to employ disabled persons and does all that is practicable to meet this responsibility. It is the company's policy to consider applications for employment from disabled persons (whether registered disabled or not) in the light of their aptitudes and abilities and the needs of the job.

Where an employee becomes disabled normally he or she continues in the same job. If, for medical reasons, this is not practicable, or is not sensible from the individual's point of view every effort is made to find alternative employment with the company and appropriate training given.

The company's aim on training and promotion is to fit the qualifications and potential of each member of staff to the appropriate job and career. This policy is applied to disabled persons.

Charitable donations

Donations for charitable and educational purposes in the UK for the year were £371,000 (1983 £363,000). There were no political payments.

Directors

As reported last year, **Mr M J Verey** retired at the conclusion of the last annual general meeting.

Mr A B Marshall retires by rotation in accordance with article 100 and offers himself for re-election. He is Chairman of Commercial Union Assurance Company and Bestobell.

The following changes in the structure and membership of the board have taken place since the last annual general meeting.

On 31st October 1983 **Mr R N Gunn** was appointed Vice Chairman and Chief Executive and **Sir Bernard Scott, CBE** was appointed Vice Chairman. **Dr E E Cliffe** was appointed Managing Director of the Industrial Division. **Mr T G Richardson** was appointed to the board and in accordance with article 107 retires and offers himself for re-election.

On 31st March 1984 **Mr K Ackroyd** was appointed Managing Director of the Retail Division in succession to **Mr H J Hann** who resigned from the board on his retirement from the company.

Mr R N Gunn joined the company in 1951. His career has included wide experience in both Divisions. He was appointed to the board in 1976 and joined the Industrial Division in 1979, becoming its Managing Director the following year.

Sir Bernard Scott, CBE was appointed to the board in 1976. He is a former Chairman of Lucas Industries and is currently Deputy Chairman of Lloyds Bank and Vice Chairman of Lloyds Bank International.

Dr E E Cliffe joined the company in 1959. He became Director of Research in 1976 and was appointed to the board in 1979.

Mr T G Richardson joined the company in 1971 and has had wide experience in the pharmaceutical industry. Since 1980 he has been Director of Pharmaceutical Marketing and while retaining this responsibility will also take charge of Research and Development.

Mr K Ackroyd joined the company in 1952. He is a pharmacist and was appointed to the board in 1979. He was appointed Managing Director of Boots The Chemists, a position he will continue to hold, in February 1983.

No director had any interest, either during or at the end of the financial year in any contract which was significant in relation to the group business.

Details of the interests of the directors and their families in the share capital of the company are shown in note 24 on page 21.

Shareholders

The directors are not aware that any person held a beneficial interest in 5% or more of the share capital of the company at 23rd May 1984.

Company status

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to this company.

Auditors

It is proposed to re-appoint Messrs. Peat, Marwick, Mitchell & Co., as auditors and resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
D N Edmundson, Secretary.
23rd May 1984.

Group profit and loss account

for the year ended 31st March 1984

	Notes	1984 £m	1983 £m
Turnover	2	**1832·8**	1670·0
Trading profit	3	**155·6**	137·8
Share of profit of related companies		**1·8**	3·5
		157·4	141·3
Interest	4	**7·7**	(1·2)
Profit on ordinary activities before taxation		**165·1**	140·1
Taxation on profit on ordinary activities	5	**(59·8)**	(46·9)
Profit on ordinary activies after taxation		**105·3**	93·2
Minority interests		**(·9)**	(·7)
		104·4	92·5
Extraordinary items after taxation	6	**23·9**	(3·2)
Profit for the financial year attributable to shareholders	7	**128·3**	89·3
Dividends	8	**(40·0)**	(34·5)
Profit retained		**88·3**	54·8
Earnings per share before taxation	9	**22·4p**	19·1p
Earnings per share after taxation	9	**14·4p**	12·7p

Movements in reserves, including the special provision of £35m for deferred taxation, are shown in note 19.

Balance sheets
31st March 1984

	Notes	Group 1984 £m	Group 1983 £m	Parent 1984 £m	Parent 1983 £m
Fixed assets					
Tangible assets	10	**453·2**	431·9	**131·8**	119·2
Investments	11	**4·4**	49·3	**91·9**	131·4
		457·6	481·2	**223·7**	250·6
Current assets					
Stocks	12	**339·5**	307·8	**139·2**	123·8
Debtors	13	**112·2**	107·5	**269·4**	297·1
Investments	14	**143·3**	46·5	**127·2**	25·6
Cash at bank and in hand		**11·2**	4·7	**·2**	·3
		606·2	466·5	**536·0**	446·8
Creditors: amounts falling due within one year	15	**(338·7)**	(298·1)	**(249·6)**	(237·6)
Net current assets		**267·5**	168·4	**286·4**	209·2
Total assets less current liabilities		**725·1**	649·6	**510·1**	459·8
Creditors: amounts falling due after more than one year	16	**(13·3)**	(11·6)	**(28·2)**	(22·3)
Provision for liabilities and charges	17	**(21·7)**	—	**(9·3)**	—
Net assets		**690·1**	638·0	**472·6**	437·5
Capital and reserves					
Called up share capital	18	**182·0**	90·8	**182·0**	90·8
Share premium	19	**1·5**	11·3	**1·5**	11·3
Revaluation reserve	19	**8·9**	9·9	**—**	—
Profit and loss account	19	**495·0**	523·5	**289·1**	335·4
		687·4	635·5	**472·6**	437·5
Minority interests		**2·7**	2·5	**—**	—
		690·1	638·0	**472·6**	437·5

P T MAIN
R N GUNN } Directors

Approved by the board
23rd May 1984.

Source and application of funds

for the year ended 31st March 1984

	1984 £m	1984 £m	1983 £m	1983 £m
Source				
Group trading:				
Profit on ordinary activities before taxation		**165·1**		140·1
Share of profit of related companies		**(1·8)**		(3·5)
		163·3		136·6
Distributions from related companies		**6·0**		·3
Depreciation less net surplus on disposal of tangible fixed assets		**15·5**		13·6
Proceeds on disposal of tangible fixed assets		**21·7**		19·6
Loans		**2·9**		—
Issue of ordinary shares		**2·0**		·9
		211·4		171·0
Extraordinary loss		**—**		(4·5)
Proceeds on disposal:				
Investment in related company	**54·9**			
Surplus houseware premises	**14·0**			
		68·9		—
		280·3		166·5
Application				
Capital expenditure		**59·9**		58·0
Investments:				
Related companies	**1·8**		·1	
Goodwill	**1·6**		—	
Subsidiaries	**—**		17·4	
		3·4		17·5
Increase in creditors falling due after more than one year		**(·3)**		(·4)
Repayment of loans		**1·4**		5·6
Dividends paid		**36·3**		33·1
Taxation paid		**52·4**		40·1
Working capital:				
Increase (decrease) in stocks	**32·3**		(13·2)	
Increase (decrease) in debtors	**16·3**		(·4)	
Increase in creditors falling due within one year	**(32·0)**		(18·9)	
		16·6		(32·5)
Other items		**1·2**		·9
		170·9		122·3
Increase in net cash resources:				
Listed investments	**62·0**		—	
Short term deposits	**35·1**		33·8	
Cash at bank and in hand	**6·6**		·3	
Decrease in bank loans and overdrafts	**5·7**		10·1	
		109·4		44·2
		280·3		166·5

Exchange differences on translation of overseas opening net current assets have been excluded from applications as they do not represent movements of funds.

Notes relating to the accounts

1 Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the company's accounts.

Basis of accounting

The accounts have been prepared under alternative accounting rules set out in the 8th Schedule to the Companies Act, 1948, being prepared under the historical cost convention adjusted by the revaluations of certain properties at open market value. A separate profit and loss account for the parent company has not been presented in accordance with section 149 of the Companies Act, 1948.

Consolidation

The accounts combine the results of the company and its subsidiaries and related companies for the period of, and to the extent of, group ownership, after eliminating intra-group transactions. The excess of cost of investments in subsidiaries over the book value of net assets acquired has been written off to reserves. Related companies are those companies in which the group has an equity interest of between twenty percent and fifty percent and over whose policies the group is able to exercise a significant degree of influence. The proportion of profits attributable to the group of those companies for the relevant accounting periods is included in the group profit and loss account and dividends received from them are, therefore, excluded from investment income.

In the group balance sheet related companies are shown at the group's share of net assets adjusted for goodwill or discount on acquisition.

The accounts of all UK subsidiaries and related companies are included to 31st March 1984. The accounts of overseas subsidiaries and related companies are included to 31st December 1983, as adjusted for any abnormal transactions in the intervening period, in order to facilitate early presentation of group accounts.

Foreign exchange

The accounts of overseas companies are translated into sterling at rates of exchange ruling at the end of the financial year. Exchange differences arising on the translation of overseas companies' opening net assets into sterling at year end rates of exchange are dealt with through reserves.

Exchange gains or losses arising on settlement or translation at year end rate of exchange of external monetary assets and liabilities are included in trading profit. Overseas investments are stated at the rates of exchange in force at the date the investment was made.

Depreciation

Depreciation is calculated to write off assets by equal instalments during their expected normal lives. The maximum life assumed for buildings is eighty years, and the lives assumed for fixtures and plant vary between three and twenty years. No depreciation is provided on freehold land and assets in course of construction.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development

Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding

The company and its UK subsidiaries operate a pension scheme under which contributions by employees and by the companies are held in a trustee administered fund separated from the companies' finances. Actuarial valuations of the scheme are conducted at three-year intervals and include a review of contributions.

Certain overseas companies operate their own pension schemes.

Notes relating to the accounts

Accounting policies—continued
Deferred taxation
Provision is made in respect of timing differences arising from accelerated capital allowances and other timing differences to the extent that such liabilities are expected to become payable in the foreseeable future. Future tax recoveries relating to advance corporation tax and short term timing differences are anticipated to the extent that such recoveries are regarded as certain.

No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiary and related companies and on capital gains which might arise from the sale of properties at values at which they are stated in the balance sheet.

2 Turnover and profit on ordinary activities before taxation

	1984		1983	
	Turnover £m	**Profit £m**	Turnover £m	Profit £m
Industrial Division	**336·9**	**62·3**	292·7	57·9
Retail Division	**1603·1**	**99·2**	1478·9	84·6
Inter-divisional	**(107·2)**	—	(101·6)	—
	1832·8	**161·5**	1670·0	142·5
Interest and unallocated items	—	**3·6**	—	(2·4)
	1832·8	**165·1**	1670·0	140·1
Turnover by geographical destination and related profits is as follows:				
Africa and Near East	**16·7**	**·2**	14·3	·5
Americas	**184·2**	**17·3**	149·9	10·2
Asia	**31·3**	**5·0**	28·6	4·3
Australasia	**21·0**	**2·8**	17·7	1·6
Europe	**71·1**	**10·7**	62·9	8·5
UK	**1508·5**	**123·7**	1396·6	113·9
	1832·8	**159·7**	1670·0	139·0
Share of profit of related companies	—	**1·8**	—	3·5
	1832·8	**161·5**	1670·0	142·5

Turnover comprises sales to external customers excluding sales taxes.

3 Trading profit

	1984 £m	1983 £m
Turnover	**1832·8**	1670·0
Cost of sales	**(1160·2)**	(1063·0)
Gross profit	**672·6**	607·0
Selling, distribution and branch costs	**(466·3)**	(428·7)
Research and development costs	**(19·8)**	(16·4)
Administrative expenses	**(55·8)**	(47·4)
Surplus on disposal of retail trading properties	**16·5**	14·5
Other operating income—royalties	**8·4**	8·8
Trading profit	**155·6**	137·8
Trading profit is after charging:		
Depreciation	**29·6**	26·6
Provision for clawback of chemists' remuneration	**6·2**	—
Computer and plant hire	**4·3**	4·5
Remuneration of auditors	**·4**	·4

4 Interest

	1984	1983
	£m	£m
Interest receivable:		
Listed investments	**2·8**	·6
Short term deposits	**8·2**	3·1
	11·0	3·7
Interest payable:		
Bank loans and overdrafts:		
Wholly payable within five years	**(2·7)**	(4·0)
Other loans:		
Wholly repayable within five years	—	(·3)
Wholly repayable after five years	**(·6)**	(·6)
	(3·3)	(4·9)
	7·7	(1·2)

Dividends of £6·0m (1983 £0·3m) were received from related companies during the year.

5 Taxation

	1984	1983
The charge on the profit of the year consists of:		
UK corporation tax at 50% (1983 52%)	**51·7**	41·7
Deferred tax	**(·5)**	·1
Relief for overseas taxation	**(4·9)**	(3·9)
Total UK taxation	**46·3**	37·9
Overseas taxation	**13·1**	8·8
Share of taxation of related companies	**·4**	·2
	59·8	46·9
The taxation charge for the year has been reduced by:		
Accelerated capital allowances	**6·9**	11·1
Other timing differences	**3·9**	3·3
Stock appreciation relief	**7·7**	7·9
	18·5	22·3

6 Extraordinary items after taxation

	1984	1983
Profit on disposal:		
Surplus houseware premises	**12·8**	—
Investment in related company	**13·6**	—
Reorganisation costs—houseware business	—	(4·5)
Share of restructuring cost of related company	—	(·4)
	26·4	(4·9)
Less taxation	**(2·5)**	1·7
	23·9	(3·2)

7 Profit for the financial year attributable to shareholders

Of the profit attributable to shareholders £92·3m (1983 £61·3m) is dealt with in the accounts of the parent company.

8 Dividend

	1984	1983
Interim paid of 2·0p per share	**14·5**	12·7
Final proposed of 3·5p per share	**25·5**	21·8
5·5p per share	**40·0**	34·5

9 Earnings per share

Earnings per share calculations are based on 727·4m (1983 726·3m) average ordinary shares in issue weighted on a time basis. Earnings per share before taxation is based on profit on ordinary activities, after deducting minority interests, of £163·2m (1983 £138·7m). Earnings per share after taxation is based on profit, before extraordinary items, of £104·4m (1983 £92·5m). All figures have been adjusted for the effect of the one for one capitalisation issue in July 1983.

The effect on earnings per share of full conversion of outstanding convertible US dollar bonds (and the exercise of outstanding options by employees) into ordinary shares of the company would not be material.

Notes relating to the accounts

10 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
(a) Group					
Cost or valuation					
At 31st March 1983	264·3	69·7	212·0	37·2	583·2
Currency adjustments	—	(·3)	(·2)	—	(·5)
Additions	8·9	5·5	14·3	31·2	59·9
Disposals	(6·4)	(2·9)	(6·7)	—	(16·0)
Reclassifications	22·6	11·8	11·6	(46·0)	—
At 31st March 1984	289·4	83·8	231·0	22·4	626·6
Depreciation					
At 31st March 1983	39·5	29·9	81·9	—	151·3
Currency adjustments	—	(·2)	(·1)	—	(·3)
Depreciation for year	5·7	7·2	16·7	—	29·6
Disposals	(1·2)	(1·8)	(4·2)	—	(7·2)
Reclassifications	(·1)	—	·1	—	—
At 31st March 1984	43·9	35·1	94·4	—	173·4
Net book value at 31st March 1984	245·5	48·7	136·6	22·4	453·2
(b) Parent					
Cost or valuation					
At 31st March 1983	46·3	56·4	42·7	25·7	171·1
Additions	3·7	4·2	5·5	11·5	24·9
Disposals	(·1)	(2·4)	(·7)	—	(3·2)
Reclassifications	11·7	11·6	3·8	(27·1)	—
At 31st March 1984	61·6	69·8	51·3	10·1	192·8
Depreciation					
At 31st March 1983	11·5	23·2	17·2	—	51·9
Depreciation for year	1·5	5·8	3·8	—	11·1
Disposals	(·1)	(1·5)	(·4)	—	(2·0)
At 31st March 1984	12·9	27·5	20·6	—	61·0
Net book value at 31st March 1984	48·7	42·3	30·7	10·1	131·8

		Group		Parent	
		1984 £m	1983 £m	**1984 £m**	1983 £m
Net book value of land and buildings comprises:					
Land		**46·5**	44·9	**2·0**	1·9
Freehold property		**136·5**	122·4	**43·4**	29·4
Long leasehold (more than 50 years unexpired)		**31·1**	27·2	**2·5**	2·6
Short leasehold		**31·4**	30·3	**·8**	·9
		245·5	224·8	**48·7**	34·8
Net book value of tangible fixed assets under the historical cost convention		**442·7**	420·6	**130·2**	117·8
Analysis of cost or valuation:					
Cost		**593·8**	543·4	**182·0**	160·3
Independent valuation	1958	**9·7**	9·7	**9·7**	9·7
	1959	**·5**	·9	**—**	—
	1965	**21·5**	28·1	**—**	—
Directors' valuation	1971	**1·1**	1·1	**1·1**	1·1
		626·6	583·2	**192·8**	171·1

11 Fixed assets—investments

	Group Related companies £m	Listed £m	Total £m
At 31st March 1983			
Cost	—	1·0	1·0
Share of net assets	53·7	—	53·7
Discount on acquisition	(5·4)	—	(5·4)
	48·3	1·0	49·3
Additions	1·8	—	1·8
Goodwill written off	(·8)	—	(·8)
Share of profits for the year	1·4	—	1·4
Dividends paid	(6·0)	—	(6·0)
Disposals	(41·3)	—	(41·3)
At 31st March 1984	3·4	1·0	4·4
Cost	—	1·0	1·0
Share of net tangible assets	3·4	—	3·4
	3·4	1·0	4·4

The cost of investments in related companies is £2·2m (1983 £41·0m).

	Parent Shares in subsidiaries £m	Loans to subsidiaries £m	Related companies £m	Listed £m	Total £m
At 31st March 1983					
Cost	59·7	15·3	41·0	1·0	117·0
Book value of net assets on acquisition	15·3	—	—	—	15·3
Provision	(·9)	—	—	—	(·9)
	74·1	15·3	41·0	1·0	131·4
Additions	—	1·6	1·8	—	3·4
Disposals	—	—	(40·6)	—	(40·6)
Change in provision	(1·1)	—	(1·2)	—	(2·3)
At 31st March 1984	73·0	16·9	1·0	1·0	91·9
Cost	59·7	16·9	2·2	1·0	79·8
Book value of net assets on acquisition	15·3	—	—	—	15·3
Provision	(2·0)	—	(1·2)	—	(3·2)
	73·0	16·9	1·0	1·0	91·9

The list of principal companies shown on pages 22 and 23 forms part of this note.

The listed investment is in Kaken Pharmaceutical Co. Ltd. incorporated in Japan and the market value on the Tokyo Stock Exchange at 31st March 1984 was £12·0m (1983 £9·4m).

12 Stocks

	Group **1984 £m**	Group 1983 £m	Parent **1984 £m**	Parent 1983 £m
Manufacturing:				
Raw materials	**28·0**	25·5	**17·8**	16·8
Work in progress	**19·8**	13·9	**16·3**	10·6
Finished goods	**19·4**	19·7	**7·4**	7·8
	67·2	59·1	**41·5**	35·2
Retailing	**272·3**	248·7	**97·7**	88·6
	339·5	307·8	**139·2**	123·8

Notes relating to the accounts

13 Debtors

	Group 1984 £m	Group 1983 £m	Parent 1984 £m	Parent 1983 £m
Falling due within one year:				
Trade debtors	**87·8**	76·4	**59·6**	52·8
Amounts owed by group companies	—	—	**196·9**	223·4
Amounts owed by related companies	**1·7**	2·5	**1·7**	2·5
Other debtors	**8·4**	6·6	**4·3**	3·9
Prepayments and accrued income	**11·9**	8·8	**5·2**	3·3
	109·8	94·3	**267·7**	285·9
Debtors falling due after more than one year:				
Deferred taxation recoverable:				
Advance corporation tax	—	9·3	—	9·3
Short term timing differences	—	1·9	—	·3
Other debtors	**2·4**	2·0	**1·7**	1·6
	2·4	13·2	**1·7**	11·2
	112·2	107·5	**269·4**	297·1

14 Current assets—investments

	Group 1984 £m	Group 1983 £m	Parent 1984 £m	Parent 1983 £m
Listed investments	**62·0**	—	**61·8**	—
Short term deposits	**81·3**	46·5	**65·4**	25·6
	143·3	46·5	**127·2**	25·6

The market value of listed investments at 31st March 1984 was £63·1m (parent £63·0m).

15 Creditors: amounts falling due within one year

	Group 1984 £m	Group 1983 £m	Parent 1984 £m	Parent 1983 £m
Bank loans and overdrafts	**31·1**	37·0	**17·8**	47·6
Trade creditors	**137·2**	114·8	**116·2**	97·3
Due to group companies	—	—	**21·8**	13·6
Due to related companies	**·1**	·3	**·1**	·3
Bills of exchange	**1·9**	1·4	**·3**	—
Corporation tax	**56·9**	45·3	**29·0**	20·0
Taxation and social security (including value added tax and other sales taxes)	**14·0**	13·2	**12·4**	12·1
Other creditors	**50·9**	48·4	**21·5**	21·6
Accruals	**21·1**	15·9	**5·0**	3·3
Proposed dividend	**25·5**	21·8	**25·5**	21·8
	338·7	298·1	**249·6**	237·6

Overdrafts of certain subsidiaries amounting to £2·2m at 31st December1983 (1982 £0·9m) were secured on the assets of these subsidiaries.

16 Creditors: amounts falling due after more than one year

	Group 1984 £m	Group 1983 £m	Parent 1984 £m	Parent 1983 £m
Loans	**9·6**	8·0	**6·7**	7·8
Due to group companies	—	—	**21·5**	14·5
Other creditors	**3·7**	3·6	—	—
	13·3	11·6	**28·2**	22·3
An analysis of loans is as follows:				
Secured:				
15% debenture 1990	**1·1**	—	—	—
Unsecured:				
7¾% stock 1988/93	**5·7**	5·7	**5·7**	5·7
6¾% convertible US dollar bonds 1993	**1·0**	2·1	**1·0**	2·1
Foreign currency	**1·8**	·2	—	—
	9·6	8·0	**6·7**	7·8

The debenture is repayable at 105% and is secured on the tangible fixed assets of the Indian subsidiary. Except for loans, creditors are wholly repayable within 5 years.

17 Provisions for liabilities and charges—deferred taxation

	Group 1984 £m	Group 1983 £m	Parent 1984 £m	Parent 1983 £m
At 31st March 1983	—	—	—	—
Transfers from debtors:				
Advance corporation tax	**(9·3)**	—	**(9·3)**	—
Short term timing differences	**(1·9)**	—	**(·3)**	—
Movement during year	**(2·1)**	—	**(·1)**	—
Transfer from reserves	**35·0**	—	**19·0**	—
At 31st March 1984	**21·7**	—	**9·3**	—
Analysis of provision:				
Accelerated capital allowances	**35·0**	—	**19·0**	—
Other items	**(2·4)**	—	**1·2**	—
Advance corporation tax recoverable	**(10·9)**	—	**(10·9)**	—
	21·7	—	**9·3**	—
Full potential liability:				
Accelerated capital allowances	**71·4**	98·8	**40·0**	52·6
Capital gains taxation rolled over	**16·2**	10·3	**·3**	·3
Other items	**(3·5)**	(4·3)	**·1**	(2·5)
Advance corporation tax recoverable	**(10·9)**	(9·3)	**(10·9)**	(9·3)
At 31st March 1984	**73·2**	95·5	**29·5**	41·1

The amounts provided for deferred taxation and the full potential liability are calculated at 35% (1983 52%) except where settlement is expected to be made at 40% or 45%.

18 Share capital

	1984 £m	1983 £m
Ordinary shares of 25p each:		
Authorised	**225·0**	100·0
Issued and fully paid	**182·0**	90·8

On 21st July 1983 authorised share capital was increased by 500m shares. On the same date 363,576,995 ordinary shares were issued as fully paid as a one for one capitalisation issue.

Details of ordinary shares allotted during the year are as follows:

	Profit sharing scheme	Option schemes	Convertible US dollar bonds	Total
Number of shares allotted:				
Before capitalisation issue	174,577	71,502	—	246,079
After capitalisation issue	—	173,804	829,370	1,003,174
	£000	£000	£000	£000
Nominal value	44	61	207	312
Share premium	443	245	990	1,678
Consideration	487	306	1,197	1,990

A profit sharing scheme enables qualifying employees to acquire ordinary shares at market price from an existing cash bonus. At 31st March 1984 1,246,986 shares were held in trust for 3,305 employees.

Under a savings-related scheme options may be granted enabling employees with over five years' service to subscribe for ordinary shares at approximately 90% of market price. At 31st March 1984 options exercisable from 1986 to 1990 at between 86·5p and 158p per share are outstanding in respect of 1,115,638 shares.

A maximum of 40m ordinary shares is available for these schemes.

Under an earlier share scheme, options exercisable from 1984 to 1988 at between 85·5p and 112p per share are outstanding at 31st March 1984 in respect of 248,544 ordinary shares. The option holders of 104,522 of these shares have the right to exercise an alternative option under the present share option scheme in respect of 137,621 shares.

The convertible US dollar bonds may be converted into ordinary shares of the company at a fixed price of 108p until 1993. A full exercise of remaining conversion rights would require the issue of approximately 726,288 shares.

The above holdings and options have been adjusted to reflect the capitalisation issue made during the year.

Notes relating to the accounts

19 Reserves

	Group				
	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Share of related companies £m	Total £m
At 31st March 1983	11·3	9·9	516·2	7·3	544·7
Profit retained	—	—	92·9	(4·6)	88·3
Goodwill written off	—	—	(1·6)	(·8)	(2·4)
Currency adjustments	—	—	(·8)	—	(·8)
Transfers	—	(1·0)	1·7	(·7)	—
Capitalisation issue including costs	(11·5)	—	(79·6)	—	(91·1)
Issue of shares	1·7	—	—	—	1·7
Transfer to deferred taxation	—	—	(35·0)	—	(35·0)
At 31st March 1984	1·5	8·9	493·8	1·2	505·4

	Parent		
	Share premium account £m	Profit and loss account £m	Total £m
At 31st March 1983	11·3	335·4	346·7
Profit retained	—	52·3	52·3
Capitalisation issue including costs	(11·5)	(79·6)	(91·1)
Issue of shares	1·7	—	1·7
Transfer to deferred taxation	—	(19·0)	(19·0)
At 31st March 1984	1·5	289·1	290·6

In view of the fundamental change in the system of corporation tax proposed in the Finance (No. 2) Bill 1984 a provision of £35m (parent £19m) has now been made in respect of deferred taxation.

The directors consider that it would be misleading to charge this to the profit and loss account for the year. In order to show a true and fair view, this provision has therefore been treated as a movement on reserves, which is not in strict compliance with Statement of Standard Accounting Practice No. 6.

20 Pensions

An actuarial valuation of the Boots UK Pension Scheme was carried out as at 1st April 1983 by Messrs Bacon & Woodrow, the scheme's consulting actuaries.

Their report shows that contributions at the current rates, together with the existing assets of the scheme and income from future investments, are expected to be sufficient to meet the cost of the existing scheme benefits and to provide for future pension increases on the same basis as those granted in recent years.

The next actuarial valuation is to be made at 1st April 1986.

21 Guarantees and other financial commitments

	Group		Parent	
	1984 £m	1983 £m	**1984 £m**	1983 £m
(a) Future capital expenditure approved by the directors and not provided for in these accounts is as follows:				
Contracts placed	**30·6**	34·3	**17·0**	19·4
Contracts not placed	**30·6**	13·6	**3·3**	12·7
	61·2	47·9	**20·3**	32·1

(b) At 31st March 1984 contingent liabilities are:

(i) Guarantees and uncalled capital relating to subsidiaries £0·9m (1983 £0·9m).

(ii) Other guarantees and contingencies arising in the normal course of business.

22 Staff numbers and costs

	1984	1983
The average number of persons employed by the group during the year was as follows:		
Industrial Division	**10,245**	9,242
Retail Division	**55,231**	56,081
Central Functions	**2,660**	3,239
Total employees	**68,136**	68,562
The aggregate payroll cost was as follows:	**£m**	£m
Wages and salaries (including profit earning bonus of £11·3m (1983 £10·3m))	**298·9**	273·9
Social security costs	**29·6**	27·8
Other pension costs	**19·3**	18·1
	347·8	319·8

The 28 African employees of our South African company are paid above the Supplemented Living Level. Further information is available on request to the Secretary.

23 Remuneration of directors and senior UK employees

	1984 £000	1983 £000
The following remuneration of directors and senior employees is included in aggregate payroll cost.		
(i) Remuneration of directors:		
Fees	**30**	38
Other remuneration	**853**	625
Payments to former directors	**65**	—
	948	663

(ii) The remuneration of the chairman and highest paid director was £99,000 (1983 £81,000).

(iii) An analysis of remuneration (excluding pension contributions) of directors and UK employees earning over £30,000 in the year is shown below.

		Numbers 1984	1983
Directors:	£95,001 — 100,000	**1**	—
	£80,001 — 85,000	**—**	1
	£75,001 — 80,000	**1**	—
	£65,001 — 70,000	**1**	—
	£55,001 — 60,000	**3**	2
	£50,001 — 55,000	**—**	1
	£45,001 — 50,000	**2**	—
	£40,001 — 45,000	**1**	3
	£35,001 — 40,000	**—**	2
	£15,001 — 20,000	**1**	—
	£10,001 — 15,000	**1**	1
	£5,001 — 10,000	**3**	4
	£1 — 5,000	**1**	—
Employees:	£45,001 — 50,000	**1**	—
	£40,001 — 45,000	**4**	1
	£35,001 — 40,000	**7**	3
	£30,001 — 35,000	**27**	16

24 Directors' shareholdings

The table below sets out the interests of the directors and their families in the share capital of the company at 31st March 1984, including those held under the company's profit sharing and option share schemes referred to in note 18 on page 19. No director holds any loan capital. The 1983 holdings have been adjusted to reflect the capitalisation issue made during the year.

	Number of shares beneficially held 1984	1983
P T Main	**12,126**	7,258
R N Gunn	**11,474**	6,606
Sir Bernard Scott	**8,000**	4,000
H J Hann	**10,000**	10,000
K Ackroyd	**6,208**	4,446
E E Cliffe	**10,355**	8,186
P H Courtney	**8,712**	4,000
G M Hourston	**8,709**	4,606
A B Marshall	**2,000**	2,000
The Rt Hon Sally Oppenheim	**1,000**	1,000
T G Richardson	**3,500**	716*
D A G Sarre	**2,000**	2,000
G R Solway	**9,312**	7,550
B H C Theobald	**8,226**	3,356

Directors' holdings at 23rd May 1984 are unchanged.

*At date of appointment.

Principal companies

Country	Company	Percentage held by parent	Percentage held by subsidiaries	Principal activities
	Parent			
	The Boots Company PLC			Manufacturing, marketing and distribution of pharmaceuticals and consumer products
	Subsidiaries (incorporated in Great Britain)			
	Boots The Chemists Ltd.	100		Retail chemists
	Boots Pure Drug Co. Ltd.	100		Management company
	Boots International Ltd.	100		Management company
	Timothy Whites PLC	100		Property holding
	Whites Property Co. Ltd.		100	Property holding
	Crookes Products Ltd.	100		Marketing consumer products
	Optrex Ltd.	100		Marketing consumer products
	Subsidiaries (incorporated overseas)			Activities refer to pharmaceutical and consumer products unless otherwise indicated
Australia	The Boots Company (Australia) Pty. Ltd.	100		Manufacturing and marketing
Belgium	The Boots Company (Belgium) S.A.		100	Marketing
Canada	Boots Drug Stores (Holdings) Ltd.		100	Retail chemists
France	Laboratoires Boots-Dacour S.A.	92·5		Manufacturing and marketing
	Beauté, Hygiène et Soins, S.A.	100		Retailing of cosmetics and toiletries
Holland	The Boots Company (Holland) B.V.	100		Marketing
India	The Boots Company (India) Ltd.	53		Manufacturing and marketing
Ireland	The Boots Company (Ireland) Ltd.	100		Marketing
Italy	Boots-Formenti S.p.A.	55		Marketing
Kenya	The Boots Company (Kenya) Ltd.		100	Manufacturing and marketing
Malaysia	Optrex (Malaya) Sdn. Berhad		100	Marketing
New Zealand	Boots The Chemists (New Zealand) Ltd.	100		Retail chemists and marketing
Pakistan	The Boots Company (Pakistan) Ltd.	56·5		Manufacturing and marketing
Philippines	The Boots Company (Philippines) Inc.	100		Marketing
Singapore	The Boots Company (Far East) Pte. Ltd.	100		Marketing
South Africa	The Boots Company (South Africa) (Pty.) Ltd.	100		Manufacturing and marketing
Spain	Laboratorios Liade S.A.	100		Manufacturing and marketing
Thailand	The Boots Company (Thailand) Ltd.	100		Marketing
USA	Boots Pharmaceuticals, Inc.		100	Manufacturing and marketing pharmaceuticals
	Boots Laboratories Inc.		100	Manufacturing pharmaceuticals
West Germany	Technochemie GmbH Verfahrenstechnik	100		Manufacturing speciality chemicals

All the above shares held are ordinary shares. In addition the group owns 100% of the preferred shares in Boots Drug Stores (Canada) Ltd. and Boots Drug Stores (Western) Ltd., subsidiaries of Boots Drug Stores (Holdings) Ltd.

Principal companies

Related companies

Country	Company	Issued share capital	Percentage held	Principal activities
Great Britain	Boots-Celltech Diagnostics Ltd.	3,000,000 ordinary shares of £1 paid	50	Manufacturing and marketing of diagnostic products
Malaysia	Raza Manufacturing S.B.	1,100,000 Malaysian dollars fully paid	49	Manufacturing pharmaceuticals
	Cosmaceutics S.B.	550,000 Malaysian dollars fully paid	30	Manufacturing cosmetics and toiletries
Nigeria	The Boots Company (Nigeria) Ltd.	6,000,000 ordinary shares of 50 kobo fully paid	40	Manufacturing and marketing
Yugoslavia	R.O. Boots-Galenika		49	Manufacturing pharmaceuticals

Unless otherwise indicated all the companies operate principally in the country of incorporation.

Auditors' report

to the members of The Boots Company PLC

We have audited the accounts on pages 10 to 23 and 26 to 28 in accordance with approved Auditing Standards.

In our opinion the accounts set out on pages 10 to 23 which have been prepared on the basis of the accounting policies set out on pages 13 and 14, give a true and fair view of the state of affairs of the company and of the group at 31st March 1984 and of the profit and source and application of funds of the group for the year to that date and comply with the Companies Acts 1948 to 1981.

In our opinion the abridged supplementary current cost statements set out on pages 26 to 28 have been properly prepared, in accordance with the accounting policies and methods set out on page 28, to give the information required by Statement of Standard Accounting Practice No. 16.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants, Birmingham

23rd May 1984

Group financial record

	1984 £m	1983 £m	1982 £m	1981 £m	1980 £m
Turnover	**1832·8**	1670·0	1487·4	1373·8	1202[illegible]
Profit on ordinary activities before taxation	**165·1**	140·1	120·2	122·5	122·7
Taxation	**(59·8)**	(46·9)	(30·9)	(44·8)	(39·9)
Profit on ordinary activities after taxation	**105·3**	93·2	89·3	77·7	82·8
Minority interests	**(·9)**	(·7)	(·5)	(·4)	(·4)
	104·4	92·5	88·8	77·3	82·4
Extraordinary items	**23·9**	(3·2)	(2·6)	—	2·6
Profit attributable to shareholders	**128·3**	89·3	86·2	77·3	85·0
Dividends	**(40·0)**	(34·5)	(30·8)	(27·2)	(25·4)
Profit retained	**88·3**	54·8	55·4	50·1	59·6
Balance sheets					
Tangible fixed assets	**453·2**	431·9	397·6	340·6	306·3
Investments	**4·4**	49·3	53·0	50·9	18·1
Net current assets	**267·5**	168·4	150·6	145·8	168·6
Other creditors	**(13·3)**	(11·6)	(13·2)	(12·9)	(16·4)
Provision for liabilities and charges	**(21·7)**	—	—	—	—
Net assets	**690·1**	638·0	588·0	524·4	476·6
Represented by:					
Shareholders funds	**687·4**	635·5	586·1	522·8	474·3
Minority interests	**2·7**	2·5	1·9	1·6	2·3
	690·1	638·0	588·0	524·4	476·6
Statistics					
Earnings per share before taxation	**22·4p**	19·1p	16·4p	16·8p	16·9p
Earnings per share after taxation	**14·4p**	12·7p	12·3p	10·7p	11·4p
Dividend per share	**5·5p**	4·75p	4·25p	3·75p	3·4p
Dividend cover	**3·2**	2·6	2·8	2·8	3·3
Profit on ordinary activities before taxation as % of net assets	**23·9**	22·0	20·4	23·4	25·7
Profit on ordinary activities after taxation as % of net assets	**15·3**	14·6	15·2	14·8	17·4

1 Earnings per share figures prior to 1984 have been adjusted for the effect of the one for one capitalisation issue in July 1983.

2 Dividend per share figures prior to 1984 have been adjusted for the effect of the one for one capitalisation issue in July 1983.

3 The book value of the group's property which amounts to 36% of net assets is, in the opinion of the directors, substantially below its current value (see page 8).

Divisional financial record

Industrial Division

	1984 £m	1983 £m	1982 £m	1981 £m	1980 £m
***Turnover**					
UK (including exports)	**205·4**	188·3	194·6	204·4	198·6
Overseas	**153·5**	126·4	86·3	74·3	65·7
Intra-divisional	**(22·0)**	(22·0)	(17·9)	(14·5)	(16·1)
	336·9	292·7	263·0	264·2	248·2

*Turnover of Industrial Division includes sales to Retail Division.

	1984 £m	1983 £m	1982 £m	1981 £m	1980 £m
Profit on ordinary activities before taxation					
UK	**36·7**	39·5	38·9	33·9	34·0
Overseas	**23·8**	14·9	7·9	7·6	8·0
Share of profit of related companies	**1·8**	3·5	2·6	·9	·9
	62·3	57·9	49·4	42·4	42·9
Capital expenditure	**23·1**	22·3	24·7	18·1	15·5

Retail Division

	1984 £m	1983 £m	1982 £m	1981 £m	1980 £m
Turnover					
UK	**1456·9**	1351·1	1237·3	1134·7	980·5
Overseas	**146·2**	127·8	98·7	74·6	63·0
	1603·1	1478·9	1336·0	1209·3	1043·5
Profit on ordinary activities before taxation					
UK	**82·8**	73·1	65·9	79·6	73·4
Surplus on disposal of properties	**16·5**	14·5	9·2	3·0	5·5
Total UK	**99·3**	87·6	75·1	82·6	78·9
Overseas	**(·1)**	(3·0)	(2·1)	(2·4)	(3·2)
	99·2	84·6	73·0	80·2	75·7
Capital expenditure	**36·8**	35·7	58·2	48·7	46·3

Shareholders

Shareholdings range	Number	%
1— 500	18,270	18·2
501— 1,000	21,750	21·7
1,001— 10,000	55,647	55·6
10,001— 100,000	4,007	4·0
100,001—1,000,000	373	·4
Over 1,000,000	106	·1
	100,153	

Group current cost profit and loss account

	1984		1983	
	£m	£m	£m	£m
Turnover		**1832·8**		1670·[illegible]
Trading profit on historic cost basis		**157·4**		141·3
Current cost adjustments:				
Depreciation and net surplus on disposal of tangible fixed assets	**(29·9)**		(32·9)	
Cost of sales	**(7·1)**		(12·4)	
Monetary working capital	**4·0**		5·8	
Related companies	**(1·8)**		(3·7)	
		(34·8)		(43·2)
Trading profit		**122·6**		98·1
Gearing adjustment		**·6**		1·2
Interest		**7·7**		(1·2)
Profit on ordinary activities before taxation		**130·9**		98·1
Taxation on profit on ordinary activities		**(59·8)**		(46·9)
		71·1		51·2
Minority interests	**(·5)**		(·4)	
Extraordinary items after taxation	**9·9**		(5·6)	
		9·4		(6·0)
Profit for the financial year attributable to shareholders		**80·5**		45·2
Dividends		**(40·0)**		(34·5)
Profit retained, dealt with in general reserve		**40·5**		10·7
Earnings per share before taxation		**17·8p**		13·4p
Earnings per share after taxation		**9·7p**		7·0p

Group current cost balance sheet

	Notes	1984 £m	1983 £m
Capital and reserves			
Called up share capital		**182·0**	90·8
Current cost reserve	2	**612·3**	583·5
General reserve		**294·8**	381·9
		1089·1	1056·2
Minority interests		**3·4**	3·2
		1092·5	1059·4
Fixed assets			
Tangible assets	3	**842·2**	832·6
Investments		**15·5**	68·1
Stocks		**341·8**	309·7
Monetary working capital		**(87·7)**	(98·6)
Other net current assets (liabilities)		**15·7**	(40·8)
Creditors: amounts falling due after more than one year		**(13·3)**	(11·6)
Provision for liabilities and charges		**(21·7)**	—
		1092·5	1059·4

Notes relating to current cost statements

1 Accounting policies
Accounting policies used in the current cost statements are unchanged from those stated on pages 13 and 14 except as set out below.

Depreciation and net surplus on disposal of tangible fixed assets
The adjustment represents the additional charge against profits as a result of depreciating and recalculating net surplus on disposal of tangible fixed assets on estimated current cost rather than on historical cost. It has been calculated using the appropriate retail and industrial indices, prepared by the Central Statistical Office. Asset lives have not been reassessed.

Cost of sales
The adjustment represents the difference between the historical manufacturing or purchase cost and the estimated current cost of goods at the date of sale as derived from the group's costing systems.

Monetary working capital
The adjustment allows for the effect of price changes on the monetary working capital needed to support operating capability.
Monetary working capital is negative and comprises creditors less the aggregate of debtors and cash floats.

Gearing adjustment
This reduces the depreciation, cost of sales and monetary working capital adjustments by the proportion of finance provided other than as shareholders' funds calculated on a current cost basis.

Valuation of assets
Land has been revalued by the directors with assistance from the company's internal qualified valuers. Other fixed assets and stock have been revalued using the same methods as for depreciation and cost of sales adjustments. Investments are stated at directors' valuation.

Overseas companies
Overseas subsidiaries have generally calculated their adjustments using local indices or information available from their own costing systems.

2 Current cost reserve	£m	£m
At 31st March 1983		583·5
Revaluation surpluses:		
Property	22·1	
Fixtures and plant	1·3	
Investments	2·8	
Stocks	7·2	
		33·4
Monetary working capital		(4·0)
Gearing adjustment		(·6)
At 31st March 1984		612·3

3 Tangible fixed assets	Property £m	Fixtures and plant £m	Total £m
At 31st March 1984			
Current cost	753·8	571·8	1325·6
Depreciation	(173·8)	(309·6)	(483·4)
Net current cost value	580·0	262·2	842·2
At 31st March 1983	570·9	261·7	832·6

4 Comparative figures
Comparative figures have not been adjusted to a common price basis.

Notice of annual general meeting

***Note new venue**

Notice is hereby given that the annual general meeting of The Boots Company PLC will be held at The Inter-Continental Hotel (Grand Ballroom)*, Hyde Park Corner, London W1V 0QY on Thursday, 19th July 1984 at 11 a.m.

Shareholders are requested to use the Grand Ballroom Entrance in Hamilton Place. Nearest Underground Hyde Park Corner.

The business of the meeting will be:

Ordinary business

(a) To receive the directors' report and statement of accounts and the auditors' report thereon.

(b) To declare a final dividend.

(c) To re-elect Mr T G Richardson as a director.

(d) To re-elect Mr A B Marshall as a director.

(e) To re-appoint auditors and to authorise the directors to fix the remuneration of the auditors.

Special business

To consider, and, if thought fit, pass the resolutions set out overleaf of which resolutions No. 1 and 2 will be proposed as ordinary resolutions and resolution No. 3 will be proposed as a special resolution.

Notes

1 A member entitled to attend and vote may appoint one or more proxies (who need not be members) to attend and vote instead of him.

2 A statement of transactions of directors (and of their family interests) in the shares of the company will be available for inspection at 1 Thane Road West, Nottingham on any weekday (Saturdays excluded) from 21st June to 18th July 1984, during usual business hours, and at the venue of the meeting on 19th July 1984 from 10.30 a.m. until the conclusion of the meeting.

3 No director of the company has a service contract of more than one year's duration.

By order of the board, D N EDMUNDSON, Secretary.

Dated 21st June 1984.

The directors would be glad to have an opportunity of meeting shareholders who will be attending.

Coffee will be served prior to the meeting from 10.30 a.m.

Special business

Staff share ownership scheme

Under this scheme, which was approved by the Inland Revenue under the Finance Act 1978 and approved by the shareholders in 1981, employees can acquire ordinary shares in the company up to a maximum value of £3,000 each year. The Inland Revenue have since increased the permissible limit to £5,000 and the directors believe that it will be in the best interests of the company to increase the limit accordingly. Shareholders' approval is required and an ordinary resolution (No. 1) will be proposed for this purpose.

Share capital

The authorities conferred on the directors at last year's annual general meeting firstly to allot unissued share capital and secondly to allot shares for cash in limited circumstances (the making of a rights issue or an issue of shares for cash up to a maximum of 5 per cent of the authorised share capital of the company) expire at the conclusion of the forthcoming annual general meeting. The directors recommend that the authorities be renewed for a period of a further year to expire at the conclusion of the 1985 annual general meeting. Accordingly, on a similar basis as last year, an ordinary resolution (No. 2) will be proposed to authorise the directors to allot unissued shares up to a maximum nominal amount of £42,956,793, being the unissued share capital, and a special resolution (No. 3) will be proposed authorising the directors to allot shares for cash.

RESOLUTIONS

Resolution No. 1 as an ordinary resolution

THAT, the rules of the Boots staff share ownership scheme, approved by the company at an extraordinary general meeting on 22nd January 1981 be amended so that the maximum value of shares which a participant can receive under the said scheme in any one year be £5,000.

Resolution No. 2 as an ordinary resolution

THAT, the board be and it is hereby generally and unconditionally authorised to exercise all powers of the company to allot relevant securities within the meaning of section 14 of the Companies Act 1980 up to an aggregate nominal amount of £42,956,793 provided that this authority shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution save that the company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Resolution No. 3 as a special resolution

THAT, subject to the passing of resolution No. 2 above, the board be and it is hereby empowered pursuant to section 18 of the Companies Act 1980 to allot equity securities (within the meaning of section 17 of the Act) pursuant to the authority conferred by the previous resolution as if sub-section 17 (1) of the Act did not apply to any such allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £11,250,000

and shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Registered office Nottingham NG2 3AA (Registered in England No. 27657)